APPENDIX I.

Reply to Refiners' Appendices Regarding Cane Growers Payments.

The mainland cane sugar refiners have compiled elaborate appendices to their brief purporting to show that from 1934 to 1948 Puerto Rico as a whole, and also Roig through an affiliate, benefited from the operation of the quota system by way of "quota premiums" and Government benefit payments (Br. Apps. B and C).

There are three things to be said about this line of argument: It is irrelevant and does not meet the question of the *power* of Congress over commerce between Puerto Rico and the States (see *supra*, p. 30) It misconceives the character of benefit payments. Finally, it suggests, by inference if not by direct statement, that no corresponding benefits accrued to the intervening mainland refiners themselves.

Government benefit payments.—Under the Sugar Acts benefit payments are in no case payable to any refiner or to any processor of raw sugar as such, but solely to *growers* of cane. Benefit payments thus accrued not to Central Roig Refining Company, but to Antonio Roig, Sucesores, S. en C., which is one of the large number of Puerto Rican growers of cane. Moreover, eligibility for such payments is conditioned by law on recipients' compliance with specific requirements determined by the Secretary of Agriculture with respect to farming practices, minimum wages required to be paid agricultural labor, and (in the case of the 29 or so growers, like Sucesores, who are also raw sugar processors) minimum prices required to be paid independent growers for their cane (Act, § 301). All these conditions increase the recipients' cost of production.

Benefit payments under the Sugar Acts are not subsidies, but compensatory payments reimbursing the grower

for loss in income sustained through imposition of the processing tax on sugar. Processing taxes payable to the Federal Treasury on Puerto Rican sugar from 1934 to 1948 amounted to approximately $127,000,000. By the mainland refiners' own figures, benefit payments during said period totaled $146,000,000 (Br. App. C, col. 11). The Government's own position has been that such payments are in the nature of a refunding of a part of the price previously withheld from the cane grower or raw sugar producer through imposition and collection of the processing tax.[1]

"*Quota premiums.*"—The unit "quota premiums" set forth in the intervening mainland refiners' brief (Apps. B and C) represents the average annual difference between the world price on which Cuban producers would have sold had there been no quotas, and the New York price ex-duty on which they did sell. This difference accrued, for instance, to Cuban producers marketing in the United States precisely in the same degree as it did to domestic producers. By statistical procedure similar to that used by the intervening mainland refiners (Br. Apps. B and C) it can be shown that the intervenor, American Sugar Refining Company, through its wholly-owned subsidiary Central Cunagua, Inc.,

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[1] Numerous authorities have recognized that the burden of sugar processing taxes rests on the growers of cane and processors of raw sugar. For instance, in analyzing the incidence of the processing tax on sugar, the Bureau of Agricultural Economics, in a detailed study published by the Bureau of Internal Revenue in 1937, stated that:

> "It has been shown that consumers did not pay any more for sugar as a result of the imposition of the processing tax, and that distributors and refiners of cane sugar did not absorb the tax. It follows, therefore, that the burden of the tax on cane sugar was borne by the manufacturer of raw sugar or by the grower of sugarcane, or was divided between them . . ." U. S. Treasury Department, Bureau of Internal Revenue, An Analysis of the Effects of the Processing Taxes Levied under the Agricultural Adjustment Act, 70, prepared by the Bureau of Agricultural Economics, U. S. D. A.

received "quota premiums" during the years 1934-1948 in the approximate amount of $10,800,000. In like manner, it can be shown that United Fruit Company, parent company and sole owner of intervenor, Revere Sugar Refinery, received "quota premiums" for the years 1934 to 1948 in the approximate amount of $13,200,000. Both amounts are, of course, many times larger than the amount of "quota premiums" received by Roig's affiliate, Sucesores.

Thus, to the extent that the mainland cane sugar refiners owned or controlled, or were otherwise affiliated with, producing properties, they obtained benefits commensurate with those received by Roig's affiliated raw sugar enterprise.[1]

Further benefits accruing to mainland cane sugar refiners as a group flow from the *raw* sugar quota limitation placed upon a competing source of refined sugar,—the domestic beet sugar area.

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[1] Entirely apart from the above, the intervening mainland refiners' argument would appear to be somewhat disingenuous in the face of the Government benefit payments and "quota premiums" which they themselves receive through affiliated enterprises. Thus, intervenors, Godchaux Sugars, Inc., received $1,234,000 solely from Government benefit payments during the years 1937 to 1948. (U. S. D. A. Press Releases: Mainland Cane Sugar Payments of $10,000 or Over Made Public, issued March 14, 1939; Sugar Division Makes Public Sugar Payments of $10,000 and Over, issued July 13, 1940; and Sugar Payments of $10,000 and Over Announced, issued July 9, 1941; telegram from Executive Office, Louisiana State P. M. A. Office, U. S. D. A., September 30, 1949.

In addition, of course, Godchaux also received "quota premiums" on sugar produced from their own cane.

APPENDIX II.

Extracts from Congressional Debates on Section 207 of the Sugar Act of 1937.

There is set forth in this Appendix brief extracts from Congressional debates on section 207 of the Act at the time of the original enactment of the Sugar Act of 1937 and of certain of its subsequent extensions.

At the time of original enactment the debate in the House centered around the amendment of Chairman Jones of the House Committee on Agriculture, supported by the Administration, to strike out the limitations on refining in Puerto Rico and Hawaii. The Jones amendment was defeated.

At the time of the extension in 1940 the debate in the House centered around the McCormack amendment, opposed by the Administration, to insert in the extension Act the limitations on refining in Puerto Rico and Hawaii. The McCormack amendment was adopted.

A. Extracts from Debates on Section 207 When Originally Enacted.

Representative Treadway of Massachusetts (81 Cong. Rec. 8300, 8301):

" . . . As I understand the measure before us today, and I have not studied it in detail, it will permit a better chance for the sugar refineries being able to take the raw sugar and refining it here.

. . . .

"There are a number of refineries scattered throughout the country and I am sure I am voicing the sentiment of the employees of those factories when I say we are heartily in favor of the opportunity this bill will give to show some slight favor for the sugar-refining industry of the United States."

Representative Pierce of Oregon (81 Cong. Rec. 8311):

"Mr. Chairman, I believe that we must take care of our own people in the continental United States . . These sections . . . are in the interests of the sugar refiners of the United States. I prefer to leave those sections in the bill, because they affect men working in factories. These are our own people; they are spending

their own hard-earned money, buying our own farm products, articles of food that we have to sell. I believe in protecting them."

Representative Green of Florida (81 Cong. Rec. 8445):

". . . I owe far greater allegiance and far greater support to the cane growers in the Everglades, to the cane growers in Louisiana, and to the beet-sugar growers in Colorado, than I do to foreigners . . ."

Representative Kleberg of Texas (81 Cong. Rec. 8302):

". . . For my part, Mr. Speaker, . . . I have no refiners in my district, but I yield to no man in my determination not to depart from the fundamental principles which rise in the first instance from the first law of nature—self-preservation."

Representative Lanzetta of New York (81 Cong. Rec. 8301):

". . . This bill, . . . sets up trade barriers against the American Territory of Puerto Rico. . .

"There are two phases to this bill—one agricultural wherein raw sugar quotas are allotted to the various producing areas in the United States and some foreign countries, and the other industrial, wherein limitations are put upon Hawaii, Puerto Rico, and the Virgin Islands as to the amount of direct consumption or refined sugar which they can produce.

"Puerto Rico has no quarrel whatsoever with the quota which it is given under this bill insofar as raw cane sugar is concerned. . . . They contend that if no limitation is placed in this bill on the direct consumption or refined sugar manufactured in continental United States, that there should be no restriction placed on the manufacture of direct consumption or refined sugar in Puerto Rico. There can be no doubt but what this unwarranted limitation on the American citizens of Puerto Rico is purely and simply a discrimination against American citizens who reside in that island. . .

". . . If we now restrict the manufacture of direct consumption or refined sugar, the distillers may well feel that they too are entitled to a restriction upon the manufacture of rum. Again, if we set this dangerous precedent, is it not possible that tomorrow a bill controlling the production of tobacco might contain a similar provision restricting Puerto Rico as to the amount of cigars, cigarettes, and smoking tobacco it may manufacture and send to the United States? . . .

"As far as I know, there is nothing in the Constitution of the United States which says that there are two kinds of citizenship—one for continental United States and one for those who reside in the offshore areas. Since there is no distinction in American citizenship, why should the citizens who reside in Puerto Rico be asked to bear greater burdens than the citizens who reside in continental United States?"

Representative Harlan of Ohio (81 Cong. Rec. 8305, 8447):

"In my own State of Ohio, for example, the Frigidaire Corporation a few years ago manufactured more electric refrigerators than all the rest of them put together. Now, suppose we had then established an industrial quota and said, 'We are going to freeze the industry here'; it would have almost raised a rebellion in this country. It would have been a throttle on the throat of progress. That is what we are doing here . . .

"There are two manners in which governments have always operated colonies. One is the Roman system of exploitation, making the colonies serve to the profit of the mother country. The other is the policy generally adopted following our American Revolution, of building up the prosperity of colonies along with the prosperity of the mother country. There was some justification for England and Rome and the other ancient exploiting countries to adopt their policy of exploitation, because they conquered their colonies. They were subjected alien enemy races, but in this case of Hawaii we have a people over there who voluntarily came under our flag, just as the people of Ohio came, and asked for admission into this Union. Now, we, this great United States, come and treat them far worse than we do the people in any other foreign country except Cuba. . .

"If we adopt this bill we will reverse our entire history of colonial policy, our conception of justice from our pre-Revolutionary days; we will make our foreign-trade agreement policy a mockery; we will give the Sugar Trust one more opportunity to exploit our people; and we will repay the patriotic support given us by the people of Hawaii with base ingratitude. . .

"What a farce is this plea 'to defend American labor.' The sugar industry pays less for labor out of its gross expenditures than almost any other industry in this country. So far as I know, it is absolutely the lowest. Three percent of its expenditures go for pay rolls, and, of course, it is because of that 3 percent that the sugar interests have flooded our hallways, and the dining room downstairs with lobbyists. But last week, when one walked into the congressional dining room, he did not know whether he was in a Congress of lobbyists or in a meeting place for lawmakers. Oh, yes; they are interested in the 3 percent; they are not all interested in the other 97 percent of their expenditures. They are not at all hoggish in this matter, either. Under the Jones-Costigan Act, the coastal refineries increased their annual refined-sugar output by 386,000 tons. They are not satisfied with that. Like the dog with the bone crossing the bridge, who sees the reflection of another dog in the river, they want it all. They do not want Hawaii or any of our possessions to cut in on their 97 percent at all."

Representative Maverick of Texas (81 Cong. Rec. 8328-29, 8448):

"I have made three points: First, that the quotas of refined sugar set up trade barriers, as against another part of the country, and which we cannot do within the United States of America; second, to do so is to relegate these parts of the United States to the rank of colonies and put a discriminating tax, burden, duty, or tariff upon them; third, to deny them the equal protection of the laws. . .

". . . this is parallel to what happened some 175 years ago in the British House of Lords. Is the spirit of Lord North walking through our Chamber today? In the House of Lords they were discussing then, and up to the time of our Revolution, the matter of commercial restrictions on the Colonies. They placed those restrictions on the Colonies; and England got the Revolution and lost the greatest lands on the face of the earth.

"What was the point at issue then?

"The point at issue was that the Colonies could grow all the raw products they wanted, but could not manufacture anything, that they had to buy their manufactured goods from England, and could not manufacture anything themselves. When Burke made his speech for conciliation of the American Colonies, everybody booed in the good English fashion of the time and laughed at him. . .

"What is the situation today? Why, it is exactly the same."

Senator Copeland of New York (81 Cong. Rec. 8824, 8825):

"Mr. President, one would not think to read this bill that Puerto Rico had any relationship to the United States. Our Government does not understand the first principles of colonial or insular administration. It is a misfortune to any territory outside the continental United States to be annexed to our country. If I needed any proof of it, I would not require more than this particular bill.

". . . But the pending sugar bill seeks to set apart and to treat differently the offshore areas of the United States as against continental United States.

"I say again that it is outrageous to treat the people of Puerto Rico as is to be done by the terms of the bill. . ."

Representative Wadsworth of New York (81 Cong. Rec. 8318, 8446, 8447):

"Am I stretching the gentleman's theory a little too far if I suggest that upon his theory the gentleman might be called upon some day to support a measure which would place a quota upon the production of cotton goods in South Carolina? . . .

". . . There is no restriction placed upon the refining of sugar by a continental refiner. He may purchase all the raw sugar he can purchase under the maximum quotas, and may refine 100 percent

of it. In the same breath we propose to say to the refiner in Hawaii, 'No; you cannot refine more than 3 percent of the raw sugar permitted to be produced in Hawaii.' There is your discrimination.

"Surely the gentleman from Texas would not advance that suggestion as a defense of the pending provision. We know that the home consumption of Hawaii, of necessity, must be infinitesimal compared with its total production of raw sugar, and it would hardly satisfy the Hawaiian to say to him, 'You can eat all the sugar you raise.' . . .

" . . . The gentleman from Texas reminds me that at present there is no refinery in the Virgin Islands. This bill proposes to say to the people inhabiting that possession of ours, 'You shall never have one.'"

Representative Lord of New York (81 Cong. Rec. 8310):

" . . . We have cut down somewhat the allowance from Puerto Rico. In addition to that we are providing that they can only ship into the country sugar in its raw form. They are a part of the United States, and, as others have contended here today, they should be allowed to ship refined if they please. If we should say that California must ship all of their sugar to New York City to have it refined, we would think that was rather drastic legislation. If we would say that Florida must ship all their sugar to Michigan to have it refined, we would think that was drastic legislation. That is exactly what we are doing with Hawaii and Puerto Rico."

Representative Scrugham of Nevada (81 Cong. Rec. 8315):

" . . . If we leave in this bill the provision which prohibits Hawaii and Puerto Rico from refining the sugar they grow, we will have established as a permanent part of our legislative policy the principle that we can by law favor one part of our country at the expense of another."

Representative Dockweiler of California (81 Cong. Rec. 8338):

"Mr. Chairman, there is an attempt in this bill to treat the Hawaiian Islands as if they were a colony. We operate under a Constitution, as is known by all, which is a constricted document. We cannot hope under a constitutional form of government to discriminate against our possessions."

Delegate King of Hawaii (81 Cong. Rec. 8302, 8303, 8334):

"I have consistently fought for the principle of equal treatment for Hawaii, as an integral and inseparable part of the United States. No other issue is involved. This bill does not provide for that equality of treatment in one of its provisions, that places upon Hawaii a special restriction as to refined sugar, which is not put upon the sugar-producing areas of the mainland. . . .

"The issue transcends the pending legislation. If a constituent part of the United States, over which the American flag flies, in which American industry has its being and American citizens live and earn their livelihood, can be legislated against in favor of another section, simply because it happens to be a Territory and geographically separated from the North American Continent, then indeed are the guaranties of the Constitution denied, the promises of American Democracy repudiated, the monopoly of industrial processes maintained, and a policy of colonial exploitation substituted for that of equal justice under law that has been America's proud boast.

"No such legislation was proposed to prevent the South from manufacturing its own cotton, nor to restrict the refining of oil in Texas in favor of other long-established oil refineries; nor would this Congress tolerate the proposed legislation if Hawaii were carved out of the mainland instead of being some 2,000 miles offshore.

"I ask this body to remember the fundamentals of our democracy, to think back to the time when this very type of colonial exploitation was practiced against America by Great Britain, and to accord Hawaii and the American citizens of that Territory, in equity and fairness, the right that should be open to every American to pursue their economic development within the allotted quota without a restriction that legalizes an existing industrial monopoly. . . .

" . . . I leave it to you that there is a fundamental difference between laying a quota restriction on an industry and in saying that of the quota you produce you may process only a small percent, in this case only 3 percent. No mainland producing area is barred from refining its entire quota allotment. . . . Hawaii is allowed a quota of 938,000 tons, a substantial reduction, to share with other producing areas in providing for an increased quota for the Louisiana and Florida area. Then we are told that we can process only 3 percent of that allowed quota."

Representative DeRouen of Louisiana (81 Cong. Rec. 8334):

" . . . The refining of sugar in continental United States is quite an industry and employs many; the investments are large and we believe that no offshore sugar should come to United States in consumption form; that this particular business should be given to our investors who have the equipment to do the work and the laborers who need the work. . . ."

Representative McCormack of Massachusetts (81 Cong. Rec. 8437, 8438, 8439):

" . . . I am going to ask Members from other sections of the country to remember that we from the industrial East have helped

them in many a close fought battle in this House. Only the other day the Gila Dam was up, and if you will look over the roll call you will find that the Members from the industrial East helped the West in that fight. . . .

"Now, an attempt is being made to divide the farmer and the worker of the industrial area in their common interests in this bill. . .

" . . . The only ones who will suffer if this amendment is adopted will be the refineries, through the destruction of their capital investment, and through the throwing out of work of thousands of citizens of the continental United States."

Representative Cummings of Colorado (81 Cong. Rec. 8308):

". . . I speak for the beet growers. . . . The only brief I have for the refiners is not for the refiners as such but I think that any good American citizen has a brief for every man who has a job in the United States. . . ."

Representative Woodruff of Michigan (81 Cong. Rec. 8322):

". . . The amendment which will be offered by the gentleman from Texas (Mr. Jones) would, in the final analysis if adopted and enacted into law, result in the ultimate destruction of that investment and throw out of employment those 14,000 men of whom I speak. . . ."

Representative Hope of Kansas (81 Cong. Rec. 8319, 8439):

" . . . If Hawaii and Puerto Rico were permitted to import into this country in a refined state all the quota they are given under this bill, they would bring in 1,736,000 tons of refined sugar. . . . in terms of labor this could not possibly mean the displacement of more than three or four thousand of the employees who are engaged in this industry today. This is the size of the labor problem involved.

"There is no industry in this country in which a smaller proportion of the volume of business goes to labor than the business of sugar refining. . . . So there is no industry in this country where the item of labor is of any less consequence than it is in the matter of sugar refining. . . .

" . . . Now, let us proceed to a discussion of the question as to whether tropical refining is cheaper than refining on the mainland. The facts that have been brought out at various hearings before the Tariff Commission very clearly show that the cost of refining in the Tropics is just as high as it is in this country. . . .

" . . . the Commission found that the cost of refining in the Tropics, particularly in Cuba—and it is substantially the same in Hawaii and Puerto Rico—is practically the same as in this country. . . . here is what the Tariff Commission found, . . .

> . . . the difference between domestic and foreign costs of refining is not such as to justify the Commission in specifying either an increase or a decrease in the rate of duty on refined sugar, or at least until after the Commission has finished the complete sugar investigation. . . .

"The refiners were not satisfied with that decision, and in 1934 they again brought the matter up before the Tariff Commission operating under this administration, and asked for an increase in the rate on refined sugar. The Tariff Commission at that time held and reported to the President on January 22, 1934, that no change was warranted in the tariff differential as between raw and refined sugar. . . .

"The issue involved, is not the issue of protection for the domestic producer of cane and beets, because, as I pointed out yesterday, the refiners who are opposing this amendment have for 40 years done everything they could to destroy the domestic beet-producing industry in this country. I cannot understand why those who are speaking for the domestic beet sugar industry should allow themselves to be made the tools of the refiners as is the case today. . . .

"I am suspicious of death-bed repentances. All these refiners are doing is hitch-hiking on a bill for the relief of the domestic producing industry.

" . . . That is the big, vital issue that is before the House today. It is a question as to whether we are going to treat our citizens in Hawaii and Puerto Rico just the same as we treat the citizens of Massachusetts and Kansas.

"Mr. Chairman, I think it is a rather healthy thing in this country to have a little competition in the cane-sugar refining business. All the competition we have in that industry today comes from the small amount of sugar that is refined in Puerto Rico, Hawaii, and what we permit to come in under this bill from Cuba and the Philippines. Is it not about time that these 13 great sugar companies which comprise the Sugar Institute, and which refine approximately 66 percent of all the sugar refined in this country, have a little competition? That is the reason these refiners are fighting this amendment today. They are monopolists at heart. They always have been, and they want to continue to be a monopoly."

Commissioner Iglesias of Puerto Rico (81 Cong. Rec. 8317):

"May I say to my brothers in the great American Federation of Labor that this bill, it seems to me, has nothing to do with the relations between capital and labor. . . .

" . . May I say to the Members of the House that Puerto Rico spends over two-thirds of the money it receives from this industry in the United States. . . .

"As a part of my remarks, I would like to incorporate two letters, as follows:

"'American Federation of Labor
Washington, D. C., July 13, 1937.

"'Hon. Santiago Iglesias,
House of Representatives, Washington, D. C.

"'Dear Mr. Iglesias: I will be pleased to speak to Marvin Jones and put in a good word for Puerto Rico relating to the importation of refined sugar into the United States and Puerto Rico, as you suggested in your letter dated June 25.

"'It has ever been our purpose and desire to help and assist Puerto Rico and the Puerto Rican people. I can clearly distinguish the difference between the treatment which should be accorded the people of Puerto Rico in favor of them and against Cuba and other countries not a part of the United States Government.

"'Be assured that I will do all I can to be helpful.

"'Sincerely yours,

"'William Green
President, American Federation of Labor.

"'San Juan, P. R., August 1, 1937.

"'Hon. Santiago Iglesias,
Resident Commissioner, Puerto Rico, Washington, D. C.

"'Dear Mr. Commissioner: The American Legion, Department of Puerto Rico, representing 18,000 World War veterans, are definitely opposed to the discriminations contained in H. R. 7667, which so materially affects the economic condition of 1,800,000 American citizens in Puero Rico.

"'This discrimination is in complete violation of all American policies toward the people of Puerto Rico and is against all basic American principles.

"'We sincerely hope such discriminations as this will be eliminated from all legislation affecting the people of Puerto Rico.

"'Very truly yours,

"'Juan Lastra Charriez,
Department Commander, the American Legion.'"

Representative Jones of Texas (Member in charge of bill, 81 Cong. Rec. 8306, 8433, 8434):

"The departments and the administration are very much opposed to any limitation, taking the position that there should be like treatment among all groups of American citizens, and that there should be no discrimination against any group of citizens anywhere under the American flag. . . .

". . . I think it is but fair for me to read to the House a very brief statement prepared at my request by some of those who have had the responsibility of administering the various features of the Jones-Costigan Act, setting forth their position in the matter. . . .

"'The first three parsigraphs of section 207 of H. R. 7667 discriminate against Puerto Rico, Hawaii, and the Virgin Islands by limiting refining operations in these areas without corresponding restrictions on the other domestic areas of the United States. These provisions are demanded by the seaboard refiners of the mainland in order to limit the amount of competition in the sale of refined sugar . . .

"'The question at issue is not whether the 14 mainland cane-refining companies, employing approximately 14,000 people, should be protected but whether, after having been granted the foregoing unusual forms of protection against competition in the bill, they should be given this additional protection, which is an outright discrimination against American citizens residing in the Territories and possessions of the United States.

"'The provisions discriminating against Hawaii, Puerto Rico, and the Virgin Islands in the matter of refined sugar are in complete violation of traditional American policy and of basic American principles.

"'First. These discriminatory provisions establish trade barriers within the United States. These provisions established that a certain part of the Union may not manufacture, may not process, the products of its soil. This discrimination against one part of the Union is established not merely in favor of another part of the Union—in itself an unjustifiable performance. It establishes discriminations against parts of America, inhabited by American citizens, in favor of a few mainland companies already highly privileged by this legislation. As a precedent this kind of discrimination is unthinkable—and because it was introduced without the administration's approval 3 years ago in the Jones-Costigan bill, in an emergency, is no reason for making it continuing national policy. . .

"'Second, these discriminations are contrary to the spirit of American institutions. They are contrary to contemporary American policy by establishing an Old World colonialism in America. The essence of Old World colonialism, the colonialism against which the Thirteen Colonies rebelled when they declared their independence from Great Britain, and against which the Spanish colonies rebelled when they broke away from Spain, was the right of the mother country to exploit those colonies, to consider their citizens as occupying a secondary and inferior status and to place economic obstacles in their path, in favor of commercial interests in the mother country. This is still the practice among Old World empires, though to a more limited extent than it was a century and a half ago—because colonies cannot be exploited as ruthlessly now as then. However, it is self-evident that sound statesmanship in the

United States cannot recognize, cannot permit, the establishment of such a continuing policy with us. It has been part of our historic process that territories represented an earlier stage of political development, and that during that period of development their lack of voting strength in the Congress was not to be taken advantage of to penalize them, but on the contrary should entitle them to the fullest protection from the entire Congress. Because Hawaii and Puerto Rico have no vote in the Congress is not only not a reason for discrimination against their products and imposing restrictions upon them against which they cannot retaliate, but it is a valid reason for insuring them protection at the hands of the entire Congress. The Congress itself is looked to by American citizens in Hawaii, Puerto Rico, and the Virgin Islands to insure them equal treatment."

B. Extracts from Debates on Section 207 When Extended in 1940.

Senator King of Utah (86 Cong. Rec., 13204):

". . . The discrimination . . . is found in the provisions of the bill which deny to Puerto Rico and to Hawaii the right to refine sugar produced in their respective territories. I have never been able to perceive the reason why the sugar producers of these territories should not be permitted to refine the raw sugar produced in their respective areas. The reason for the discrimination grows out of the fact that there is a powerful sugar organization or trust in continental United States, which is opposed and still opposes the producers of sugar in the territories referred to, refining their own sugar. The organization referred to has insisted that the raw sugar produced in Hawaii be transported to the mainland, there to be refined; and that the raw sugar produced in Puerto Rico be shipped to the Atlantic seaboard, there to be refined by the large sugar-refining units.

"I believe this to be unfair; the people of Puerto Rico are encountering many economic and industrial difficulties; there are hundreds of thousands of people without employment, and the National Government is required to make important contributions to aid the unemployment situation. Several thousand persons could find employment in Puerto Rico if the producers of sugar were permitted to have their product refined in Puerto Rico. The people of Puerto Rico are under the flag; they are entitled to the rights of American citizens, and it is, in my opinion, a grave injustice to deny them the right to refine the sugar produced in their own home territory."

Delegate King of Hawaii (86 Cong. Rec. 8724, 8725):

"I want to answer the gentleman's question by saying that the whole basis of the refiners' argument is that they must have . . . all sources of raw supply, and then they will sell it in the American market in competition with American sugar. . . .

" . . . Would this Congress have passed a bill limiting the industrial development of Oklahoma, New Mexico, or Arizona when they were incorporated Territories? When we came under the American flag and were incorporated as a Territory those three States were still Territories. Twenty-nine of the sovereign States have been incorporated Territories at one time or another. I doubt if any of them ever had a restrictive law passed on their manufactured products or industrial development that singled them out and made it a special rule for the Territory and not equally applicable to the several States of the Union. . . .

"Unfortunately as time has gone on, because the other 29 Territories have come in as States, today we find there is new language in American history. They are now 'insular possessions,' 'offshore areas,' 'noncontiguous areas,' 'a tropical country,' as if there was any difference between an American whether he lived in Hawaii or Alaska or California or any other part of the United States. . . ."

Representative O'Connor of Montana (86 Cong. Rec., 8745):

" . . . I deeply sympathize with the people in Puerto Rico and in Hawaii in regard to unemployment, but I also sympathize more deeply with about nine or ten million unemployed people in this country, and if it comes to a question of taking care of somebody in Puerto Rico or Hawaii or taking care of somebody in Utah or Montana or Colorado, I am in favor of giving the work to the American laborer, and taking care of the unemployed in our offshore possessions, because it won't cost so much. I am going to support the McCormack amendment because I think the American market for labor should be reserved for the American laborer."

Representative D'Alesandro of Maryland (86 Cong. Rec. 8752):

"It is for all of these reasons that labor and capital in the home refining industry in Maryland and other States would rather see a termination of the quota-subsidy system than a continuation of that system under terms which would further depress the refining industry.

"The quotas on Hawaiian and Puerto Rican refined sugar should be restored. I am in favor of the McCormack amendment because it keeps thousands of employees in the city of Baltimore and throughout the United States in their jobs."

Representative Hope of Kansas (86 Cong. Rec. 8740):

"There has been a great deal of camouflage in connection with the debate upon this measure. This amendment is spoken of as something designed to benefit labor. As a matter of fact, there are about 14,000 people employed in the refining of cane sugar in the United States; 14,000 people out of some 30,000,000 people gainfully employed in this country."

Representative Mansfield of Texas (86 Cong. Rec. 8746, 8747):

"Mr. Chairman, I represent a district that has a sugar refinery in it, which refines approximately 250,000 tons a year . . .

"Hawaii and Puerto Rico did not refine raw sugar for the mainland market before 1925, and no one can contend that the expansion of refined sugar in Hawaii and Puerto Rico is going to bring any noticeable increase in the income and general welfare of the people of those islands. Their livelihood is primarily dependent on raw sugar, not on refined. . . .

"The home refiners are limited because they are prohibited by law from purchasing sugar except in those quantities and from those sources specified in the act. Hawaii and Puerto Rico are two of the most important sources of the supply of raw sugar. It is obvious to me that if the tropical sugar industry is permitted to withhold its raw sugar for refining, then the home refiners will be deprived of an essential source of their raw material."

Commissioner Pagán of Puerto Rico (86 Cong. Rec. 8736, 8737):

"Some of the eastern seaboard refiners, in an effort to enforce discrimination against the island, have sought to convey the impression that the refiners in Puerto Rico received special consideration from the Government under the sugar program, because it so happens that some of the refiners may grow sugarcane and obtain Government refund payments under the Sugar Act. Since the refund payment to sugar producers is made through the Government, this payment is sometimes considered similar to Government subsidy payments which have been made on other agricultural products and the subsidies obtained through tariff protection. The payment made to sugar producers is simply a refund of the taxes collected on the sugar they produce, and refunded to the grower on condition that they limit production, pay wage rates as determined by the Secretary of Agriculture, eliminate child labor, and follow certain practices designed to maintain soil fertility. If the grower carries out these regulations, all of which add to his cost, he gets back the tax that he pays to sell his sugar, except that if he is a large grower he does not get back the full amount of the tax. . . .

"Puerto Rico benefits by the tariff system, as do all other domestic sugar-producing areas. The island has never sought to deny this,

but does want it definitely understood that the refund payment in no way is connected with the tariff.

"Moreover, whatever the benefits from the tariff are, the eastern seaboard refining industry has received proportionately as much subsidy as any branch of the sugar industry. For example, in the sugar hearings in 1937, Dr. Joshua Bernhardt, Chief of the Sugar Section, in testifying before the Senate Committee on Finance, points out clearly that the refiners received a subsidy on an average of $36,934,980 per year for the 3 years 1934, 1935, and 1936. On this basis the refiners have received a subsidy from the tariff since the sugar-controlled program went into effect—1934 to 1939, inclusive—of $221,609,000, while all refund payments made to the entire island of Puerto Rico under the Sugar Act totaled only $32,831,227. Thus, to claim or insinuate that the 14 continental refiners have not received a subsidy under the tariff is simply sidestepping the facts.

"Moreover, an average subsidy of $36,934,000 per year is equal to a subsidy of about $2,500 for each person employed by the refiners, as against an average annual wage per employee of only $1,005, according to the last census. But, never satisfied, the refiners are seeking to obtain further protection in the form of a trade barrier against Hawaii and Puerto Rico.

"Not only do the eastern seaboard refiners enjoy a full measure of subsidies, but the quota system also protects the seaboard refiners in the extraordinary form of an embargo upon shipments of refined sugar to the United States, in excess of a stated quantity, from the principal competing foreign country, which is limited under present legislation to a quota for direct-consumption sugars of 22 percent of the sugar quota. And the refiners also have protection from importations of direct consumption sugars from the Philippines under the provisions of the Philippine Independence Act. They have been given protection by quotas against increased importation of liquid sugars, which in some areas and in some industries has tended to replace ordinary commercial refiners' sugar."

C. Extracts from Debates on Section 207 When Extended in 1941.

Commissioner Pagán of Puerto Rico (87 Cong. Rec. 9284):

"The refined issue narrows itself down to whether or not the eastern seaboard refiners have the right to say who shall and who shall not refine raw sugar. In other words, it raises the question not only of discrimination and injustice to Puerto Rico and Hawaii but it raises the question as to whether or not it is for the best interest of the consuming public to turn over to the 17 refiners on the continent a practical monopoly of the sugar-refining business.

In this connection, in a letter dated August 7, 1937, addressed to Hon. Pat Harrison, United States Senate, Secretary of State Cordell Hull said:

> "'It is believed to be against the public interest for the Government to grant any further measure of protection to a group whose record repeatedly indicated it would resort to monopolistic practices and conspire to restrain trade in violation of the antitrust laws. Only a little over a year ago the United States Supreme Court upheld a lower court ruling and found the Sugar Institute guilty on 40 separate counts of engaging in a combination and conspiracy to restrain trade in sugar.'"

APPENDIX III.

U. S. Department of Agriculture
Production and Marketing Adm.
Caribbean Area Office
San Juan, P. R.

"Exhibit B" No. 52 *Amended*
February 10, 1949

REPORT OF SUGAR STOCKS, PRODUCTION AND DISTRIBUTION

Week ending December 31, 1948

All figures in terms of short tons of sugar 96° basis

Name of Mill	(1) 1947 Carryover Sugar	(2) 1947-48 Production as Ingged	(3) Transfers to Refineries	(4) Sugar Shipped to date	(5) Deliveries to Local Market to date	(6) Stocks on hand
Aguirre		96,549	2,696	93,847	3	(a)
Mercedita	137	60,982	61,119			
Cambalache		47,794		47,769	25	
Canovanas-Fajardo		110,239		110,226	9	(a)
Caños		28,590		28,262	328	
Coloso		47,597		47,212	384	(a)
Constancia Ponce		10,878	10,878			
Constancia Toa		28,197		28,197		
Eastern Sug. (4 mills)	110	132,629	13,428	117,337	1,974	
Ejemplo Roig (2 mills)		54,849	44,348	8,673	1,820	(a)
Eureka		27,719	3,021	24,518	180	
Guamani		9,153		8,183	954	(a)
Guánica		96,935	17,003	79,932		
Igualdad		40,394	30,257	10,126	11	
Juanita		34,121(b)		31,253	2,837	31
Lafayette	244	34,962	3,124	31,577	487	(a)
Monserrate	475	21,025	1,069	19,316	1,115	
Pellejas		6,153	6,153			
Plata		34,886		33,907	746	(a)
Plazuela		28,588		28,571	17	
Roig-Soller (2 mills)		25,168		25,055	113	
Rochelaise		9,530		9,414	116	
Rufina		25,629		25,246	383	
San Francisco		6,350	5,716		634	
San Jose		19,078		19,055	23	
San Vicente		46,597	1,200	44,398	983	(a)
Santa Bárbara		3,385	3,385			
Victoria		20,439		20,438	1	
P. R. Amer. Sug. Ref.	46		46			
Totals	1,012	1,108,416	203,443	892,512	13,143	31

a) Differences explained on reverse side in footnote for Proof.
b) Increased by 31 tons excess sugar of the 1947-48 crop reported by Central Juanita upon final liquidation of stocks in their warehouses.

U. S. Department of Agriculture
Production and Marketing Adm.
Caribbean Area Office
San Juan, P. R.

"Exhibit B1" No. 52 *Amended*
February 10, 1949

1948 REFINED AND TURBINADO SUGAR MOVEMENT (P. R.)

Week ending December 31, 1948

All figures in terms of short tons of sugar 96° basis

Name of Refinery	(1) 1947 Carryover (Refined)	(2) 1948 Production (Refined)	(3) Transfers from Raw Mills (Raws)	(4) Sugar Shipped to date (Refined)	(5) Local Deliveries to date (Refined)	(6) Stocks on hand (Refined)	(7) Raws on hand & refined in process
Aguirre		2,372	2,372	2,372			
San Francisco		902	902	752	150		
Eastern Sugar		13,428	13,428		13,428		
Guanica		15,539	15,539		15,539		
P. R. Amer. Sug. Ref. (a)		96,287(b)	96,588	82,324	13,647	234	295(c)
Roig Refining Co.		44,348	44,348	20,205	24,143(d)		
Western Sugar Refining		30,691	30,691	16,718	13,973(d)		
Total Ref. & Turb.		203,567	203,868	122,371	80,880(e)	234	295
Raws as per "Exhibit B"	1,012			892,512	13,143		31
Total Raws, Ref. & Turb.	1,012	203,567	203,868	1,014,883	94,023	234	326

(a) All figures adjusted as per final report from refinery.

(b) Includes 62 tons toll sugar.

(c) 6 tons short due to shrinkage.

(d) As per agreement between Roig Refining Co. and Western Sugar Refining Co., 535 tons of raw sugar delivered by the first to the latter and exported by Western as refined against its direct consumption allotment, have been included in Roig's local deliveries and deducted from Western's local deliveries.

(e) Includes 742 tons shipped to Virgin Islands.

APPENDIX IV.

UNITED STATES DEPARTMENT OF AGRICULTURE
PRODUCTION AND MARKETING ADMINISTRATION
SUGAR BRANCH

Washington 25, D. C.

April 25, 1947

CCC LETTER NO. 41 TO PUERTO RICAN PRODUCERS OF RAW CANE SUGAR

Subject: 1946-47 Purchase Contract Puerto Rican Raw Sugar—Releases for the manufacture of Direct Consumption Sugar for Shipment to the United States

At a meeting held in Washington, D. C., on April 14, 1947, with representatives of Puerto Rican producers of direct consumption sugar, it was pointed out that applications from raw sugar producers (hereinafter referred to as "Sellers") pursuant to CCC Letter No. 36 had been received by Commodity Credit Corporation for the release of an unusually large quantity of raw sugar for the purpose of manufacturing direct consumption sugar for shipment to the continental United States.

To adjust the releases to conform more nearly to the procedure of recent years and pursuant to Article Two of the 1946-47 Purchase Contract Puerto Rican Raw Sugar, Commodity Credit Corporation will approve releases of raw sugar to Sellers who are parties to that contract for delivery to the following manufacturers of direct consumption sugar up to the quantities shown opposite their names below:

Name of Manufacturer of Direct Consumption Sugar	1946-47 Crop Direct Consumption Sugar (short tons, raw value)
Aguirre	11,154
San Francisco	1,378
Western Sugar Refining Company	29,965
Roig Refining Company	27,183
P. R. American Sugar Refining Co.	60,320
Total	130,000

The above named manufacturers have been asked to inform Commodity Credit Corporation of the quantities of raw sugar to be purchased from each Seller of 1946-47 crop Puerto Rican raw sugar for conversion to direct consumption sugar up to the amount of the foregoing quantities. Upon receipt of this information from such manufacturers and upon receipt of revised applications from Sellers of the raw sugar, Commodity Credit Corporation will release to such Sellers the quantities it approves for the manufacture of direct consumption sugar for shipment to the United States. Revised applications for such releases should be filed under the instructions contained in CCC Letter No. 36 to Puerto Rican Producers of Raw Cane Sugar, which was sent to you under date of March 21, 1947.

Very truly yours,

JAMES H. MARSHALL,
Director
Contracting Officer, CCC.